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RR RUEHGI RUEHRN RUEHROV  
DE RUEHKM #1220/01 2471135  
ZNR UUUUU ZZH  
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FM AMEMBASSY KAMPALA  
TO RUEHC/SECSTATE WASHDC 0668  
INFO RUCNIAD/IGAD COLLECTIVE  
RUEHXR/RWANDA COLLECTIVE

UNCLAS SECTION 01 OF 02 KAMPALA 001220

SENSITIVE  
SIPDIS

DEPARTMENT PASS TO USAID AND TO MCC/MALIK CHAKA

E.O. 12958: N/A  
TAGS: [PGOV](#) [KDEM](#) [KCOR](#) [UG](#)  
SUBJECT: UGANDAN SECURITY MINISTER IMPLICATED IN LAND  
SCANDAL

¶1. (SBU) Summary: A scandal involving Uganda's National Social Security Fund (NSSF) has generated heated hearings in Parliament and exposed what appears to be another case of high-level Ugandan government corruption. The scandal centers on land NSSF purchased in early 2008 without proper attention to procurement procedures at an apparently inflated price from a company owned by Minister of Security Amama Mbabazi, who is also Secretary General of the ruling National Resistance Movement (NRM) party. Minister of Finance Ezra Suruma apparently approved the deal. While the controversy has engendered public anger and feverish media attention, many Ugandans, frustrated by the government's failure to act in the past, believe it is unlikely that officials will be held accountable. End Summary.

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LAND DEAL: MADE IN THE SHADE  
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¶2. (SBU) Parliament summoned NSSF officials on August 22 for an explanation of a land purchase NSSF made in March this year. According to media reports of the Parliamentary hearings, the NSSF purchased 464 acres of land in Wakiso district, just outside of Kampala, from businessman Amos Nyezi and Arma Ltd., a company in which Minister of Security and NRM Secretary General Mbabazi has a large stake. Parliament has focused on three alleged improprieties with the purchase: 1) improper procedures used to purchase the land; 2) the inflated price NSSF paid for it; and 3) the benefits coming to a range of high-level government figures.

¶3. (SBU) According to press reports, the Ugandan Public Procurement and Disposal of Assets (PPDA) authority did not approve the purchase, and no minutes exist of a final private board meeting (attended by NSSF Chief David Chandi Jamwa and Finance Minister Suruma) authorizing the transaction. The NSSF board members present have since said publicly they were under political pressure to approve it. The price NSSF paid for the land is also under investigation. The NSSF paid USD 14,750 per acre, as opposed to a market value of USD 8,900-11,000 that three independent auditors placed on it. In addition to the benefits to Mbabazi, Minister of Finance Suruma appears to have benefited, as he is partial owner of the National Bank of Commerce, which was the recipient of some funds received from the sale. (Note: Suruma is Vice Chairman of the National Bank of Commerce. End Note.) Finally, on Wednesday, August 28, Parliament learned that 52 of the 464 acres in the deal do not actually exist, a problem that NSSF officials were unable to explain, leading Members of Parliament to begin asking for the resignation and/or arrest of the officials in question. The Committee on Commissions, Statutory Authorities and State Enterprises (CSASE), is hearing the case, and the NRM Parliamentary caucus summoned Mbabazi back from his trip to the United States early to appear before them on September 1 to explain his involvement in the deal.

14. (SBU) Appearing before the NRM Parliamentary caucus in a closed door meeting reported in the press, Mbabazi vowed to resign if found guilty of wrong doing for his involvement in the deal. A group of NRM members demanded Mbabazi resign now, however, to allow investigations to proceed and to avoid fallout that could damage the NRM in the run-up to national elections in 2011.

15. (SBU) In a meeting with Embassy officers on August 28, Auditor General (AG) John Muwanga expressed his frustration that Parliament's recommendations to the government are often ignored, saying scandals often disappear or get bogged down in court after hearings stop. Muwanga explained that, although a range of institutions, including the Auditor General, the Inspector General of the Government, and the PPDA, exist to counter corruption, the government often does not act on Parliament's required recommendations issued at the end of committee hearings. Committee recommendations, for example, are sent to the Finance Ministry for action, and the Finance Ministry is required by law to issue a Treasury Memorandum explaining what actions the government has taken to follow up on the committee's recommendations, Muwanga said. But, he added, "The Finance Ministry has not issued a Treasury Memorandum since, I think, 2000 or 2001." Thus, though some institutions are active in government oversight, the "cycle of accountability" is not complete, Muwanga said. "If you get the cycle of accountability right then everything falls in place, but we do not have it," he said.

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Comment

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16. (SBU) This case, brought to light by a whistleblower, has become a lightening rod for public frustration with high-level government corruption and compounds widespread anger with NSSF, which invests mandatory pension contributions and has mainly lost money on its investments over the years. In this case, the conflicts of interest appear egregious, not only because of Mbabazi's role, but because Finance Minister Suruma would be required in his Treasury Memorandum to report on actions taken against himself for approving and benefiting from the purchase. Politically, it has served to galvanize both the opposition and younger members of the ruling NRM, who have been trying to oust Mbabazi from the leadership of the party. While it will be difficult for Museveni to ignore this case, given its magnitude and implications for the party, most Ugandans remain skeptical that Mbabazi and Suruma will be sanctioned.  
BROWNING